

Q2 2024 Review and Market Update

Jonathan Shiffer

Chief Investment Officer

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Money Managers



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INVESTMENT MANAGEMENT

Q2 Market Performance

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Broad Fixed Income	Quarter	YTD	1 Year
Bloomberg US Agg Bond TR USD	0.1%	-0.7%	2.6%
Bloomberg Global Aggregate TR USD	-1.1%	-3.2%	0.9%
Treasuries			
Bloomberg US Treasury Bill 1-3 M TR USD	1.3%	2.7%	5.5%
Bloomberg 1-5 Yr Treasury TR USD	0.8%	0.7%	4.1%
Bloomberg Treasury 5-7 Yr TR USD	0.3%	-0.6%	2.6%
Bloomberg Treasury 7-20 Yr TR USD	-0.7%	-2.5%	-1.2%
Bloomberg US Treasury 20+ Yr TR USD	-2.2%	-5.9%	-7.2%
Bloomberg US Treasury US TIPS TR USD	0.8%	0.7%	2.7%
Credit			
Bloomberg Municipal TR USD	0.0%	-0.4%	3.2%
Bloomberg US Corp Bond TR USD	-0.1%	-0.5%	4.6%
Bloomberg US Corporate High Yield TR USD	1.1%	2.6%	10.4%

Outperformance

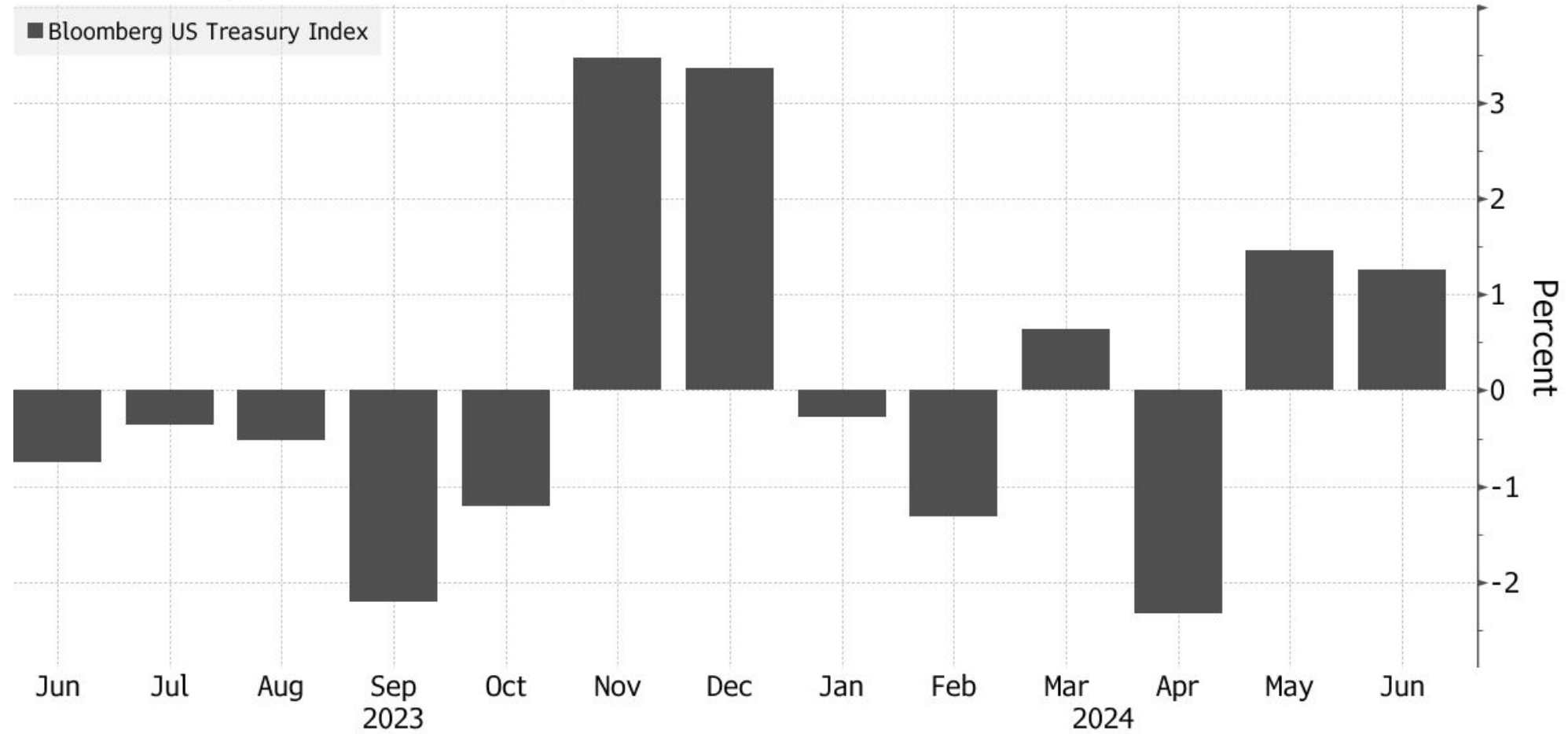
- High Yield
- Ultra Short Duration

Underperformance

- Long Duration
- International Fixed Income

Source: Morningstar

Treasuries Rise for a Second-Straight Month A Bloomberg gauge of Treasury returns is up in June



Source: Bloomberg

Bloomberg 

Equity Performance as of 6/30/2024

Domestic Equity	Quarter	YTD	1 Year
NASDAQ Composite TR USD	8.5%	18.6%	29.6%
S&P 500 TR USD	4.3%	15.3%	24.6%
Russell 1000 Growth TR USD	8.3%	20.7%	33.5%
Russell 1000 TR USD	3.6%	14.2%	23.9%
Russell 1000 Value TR USD	-2.2%	6.6%	13.1%
Russell Mid Cap Growth TR USD	-3.2%	6.0%	15.1%
Russell Mid Cap TR USD	-3.4%	5.0%	12.9%
Russell Mid Cap Value TR USD	-3.4%	4.5%	12.0%
Russell 2000 Growth TR USD	-2.9%	4.4%	9.1%
Russell 2000 TR USD	-3.3%	1.7%	10.1%
Russell 2000 Value TR USD	-3.6%	-0.9%	10.9%
International Equity			
MSCI ACWI NR USD	2.9%	11.3%	19.4%
MSCI ACWI Ex USA NR USD	1.0%	5.7%	11.6%
MSCI Europe NR USD	0.6%	5.8%	11.7%
MSCI EM NR USD	5.0%	7.5%	12.6%
MSCI AC Asia Pacific IMI NR USD	2.3%	7.1%	13.1%
MSCI EM Latin America NR USD	-12.2%	-15.7%	-5.6%

Source: Morningstar

Outperformance

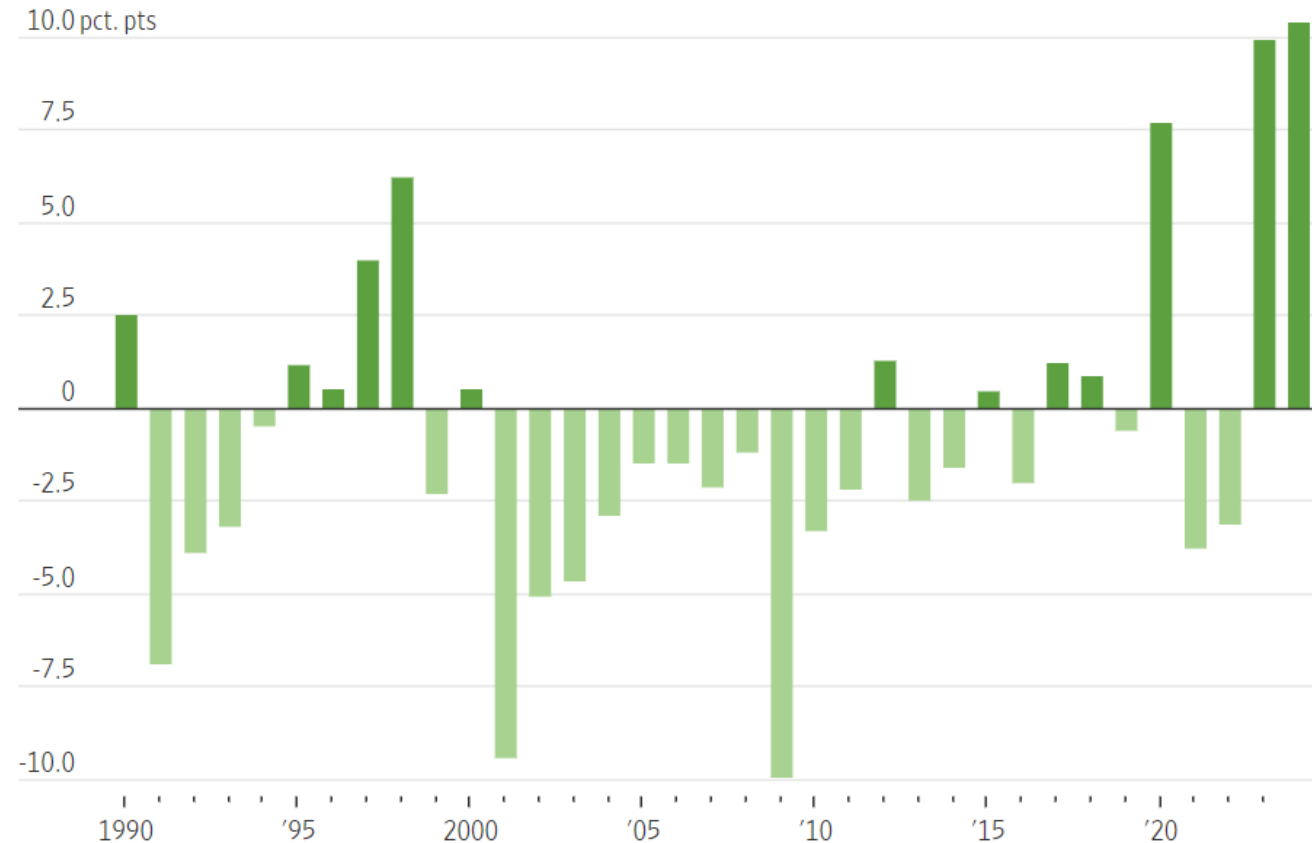
- Large Cap Growth

Underperformance

- Small Caps
- Latin America

Equity Performance as of 6/30/2024

S&P 500 performance lead over equal-weight index, first half



Note: Negative values mean the S&P 500 lagged behind the S&P 500 Equal Weight Index in the first half of a year.

Source: Dow Jones Market Data

Equity Performance as of 6/30/2024

Share-price performance

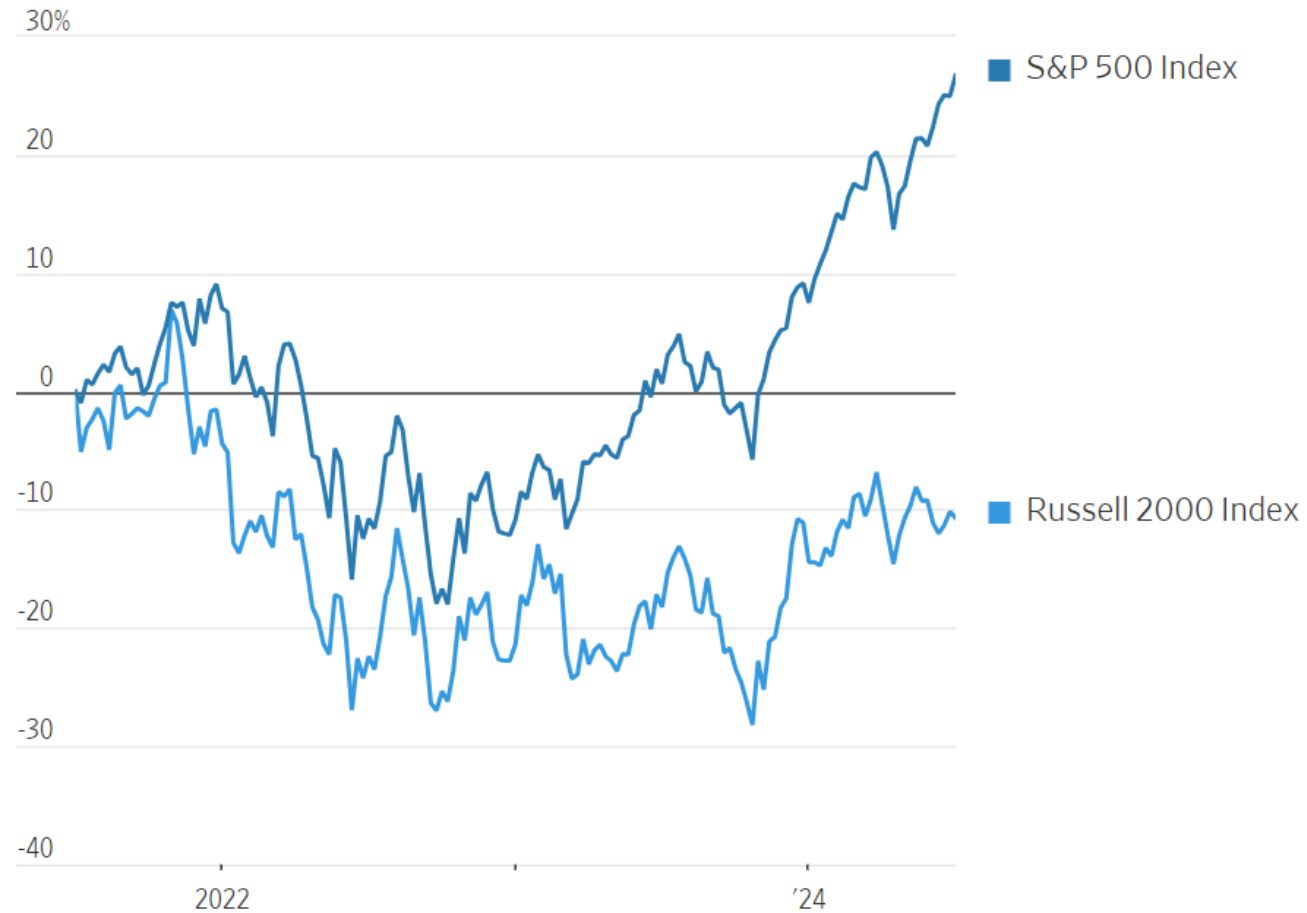


Source: FactSet

Equity Performance as of 6/30/2024

Big and Beautiful

Three-year performance



Source: FactSet

Index	Quarter	YTD	1 Year
S&P 500 TR USD	4.3%	15.3%	24.6%
S&P Technology Select Sector TR USD	8.8%	18.0%	31.2%
S&P Cmmncton Svces Select Sector TR USD	5.2%	18.6%	33.1%
S&P Utilities Select Sector TR USD	4.7%	9.4%	7.8%
S&P Cons Staples Select Sector TR USD	1.1%	8.0%	6.4%
S&P Consumer Disc Select Sector TR USD	-0.7%	2.4%	8.3%
S&P Health Care Select Sector TR USD	-1.0%	7.8%	11.7%
S&P Real Estate Select Sector TR USD	-1.9%	-2.5%	5.6%
S&P Financial Select Sector TR USD	-2.0%	10.2%	24.2%
S&P Energy Select Sector TR USD	-2.6%	10.6%	16.3%
S&P Industrial Select Sector TR USD	-2.9%	7.8%	15.5%
S&P Materials Select Sector TR USD	-4.5%	4.1%	8.8%

Relative Outperformance

- Technology
- Communication Services
- Utilities

Relative Underperformance

- Materials
- Industrials
- Energy

Source: Morningstar

Index	Quarter	YTD	1 Year
S&P 500 Growth TR USD	9.6%	23.6%	32.5%
S&P 500 Momentum TR USD	9.3%	34.0%	57.9%
S&P 500 Quality TR USD	5.4%	18.3%	27.8%
S&P 500 Low Volatility TR USD	-0.8%	5.0%	6.2%
S&P 500 Value TR USD	-2.1%	5.8%	15.3%
S&P High Yield Dividend Aristocrats TR USD	-2.6%	3.2%	6.8%
S&P 500 Quality High Dividend TR USD	-3.2%	4.7%	9.4%
S&P 500 Enhanced Value TR USD	-3.2%	9.8%	21.4%
S&P 500 High Beta TR USD	-3.5%	3.2%	11.9%
S&P 500 Dividend Aristocrats TR USD	-4.6%	2.2%	4.7%

Relative Outperformance

- Growth
- Momentum
- Quality

Relative Underperformance

- Dividends
- High Beta

Source: Morningstar

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Economic Outlook and Asset Class Preferences

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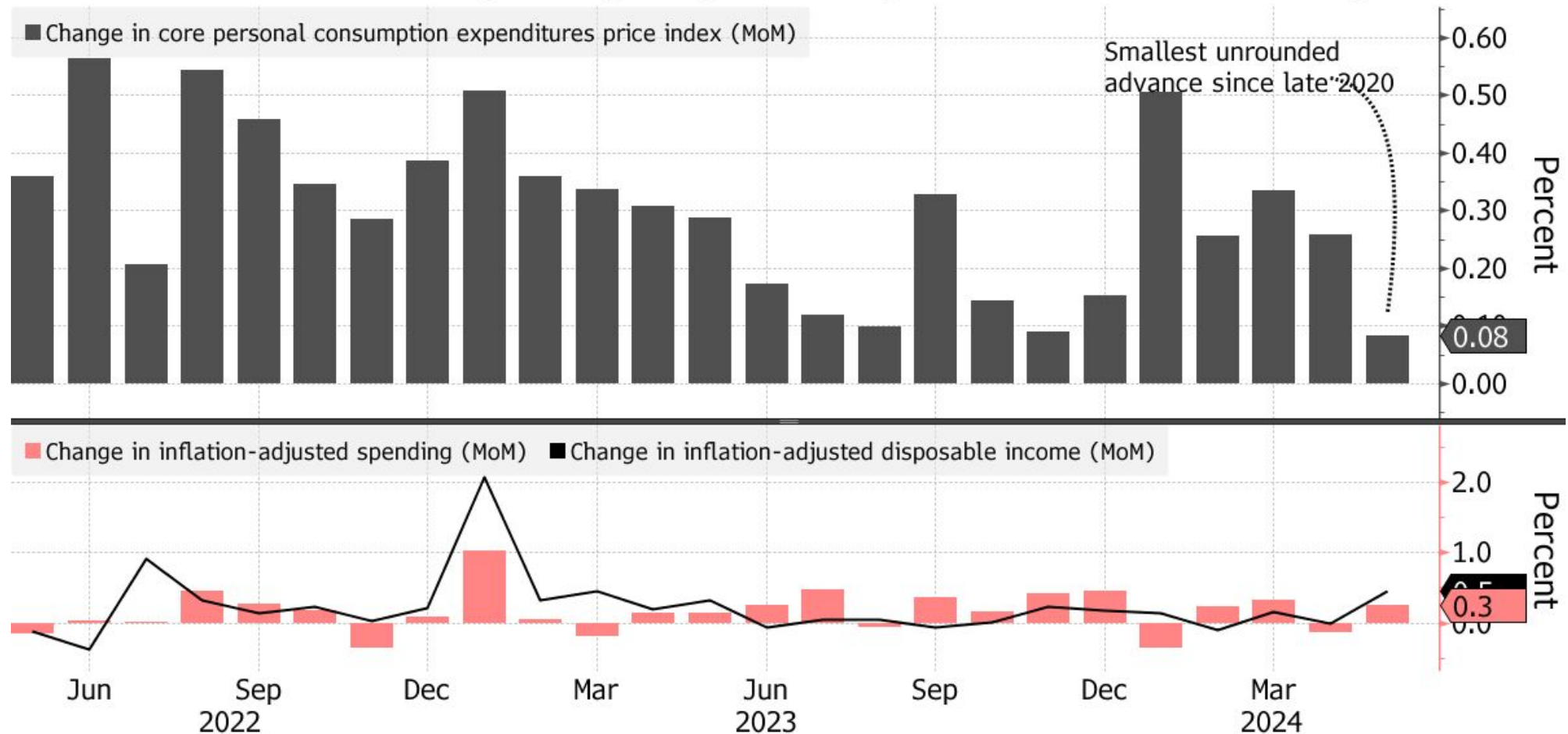
Asset Allocation Preferences for Q2 2024

Asset Class - 2024			Change in Opinion
Asset Class	Concern	Neutral	
Equities		0	
Bonds		0	
Equity			
Geographic Exposure			
US		0	
Intl Developed		0	
EM		0	
Size			
Large			1
Mid		0	
Small		0	
Style			
Growth		0	
Value		0	
Fixed Income			
Geographic Exposure			
US		0	
Intl Developed		0	
EM	-1		
Credit Exposure			
Treasuries		0	
IG Corporates			1
High Yield		0	
Interest Rate Exposure			
Duration			1
Alternatives			
Liquid Alts (F)		0	
Commodities		0	
Real Estate		0	

Actions Advisors Should Consider

- Maintain diversification within US equities
- Manage fixed income weightings and monitor international developed markets
- Monitor volatility in advance of US election

US Inflation Cools While Consumer Spending Rebounds Households emboldened by strongest gain in disposable income since early 2023



Source: Bureau of Economic Analysis

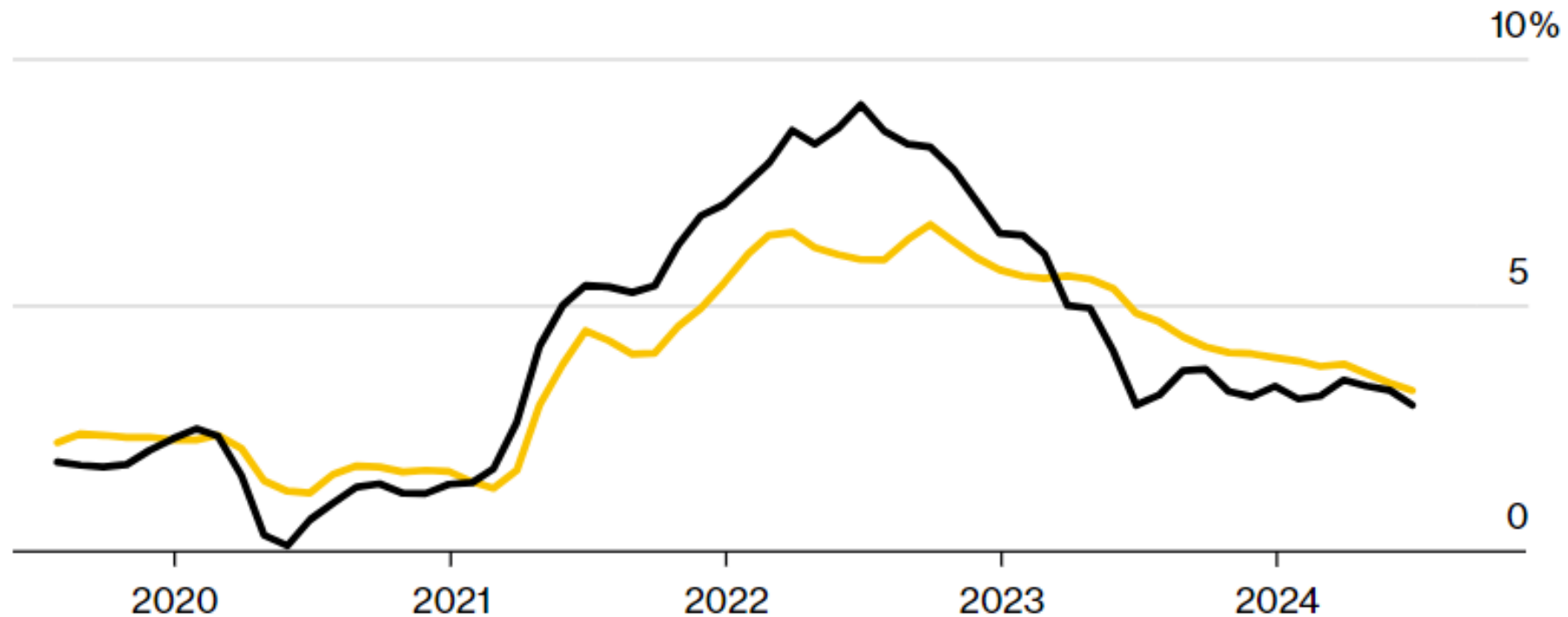


June CPI Came in Below Target

US Core Inflation Cools to Slowest Pace Since 2021

Deceleration boosts odds of a Federal Reserve rate cut in September

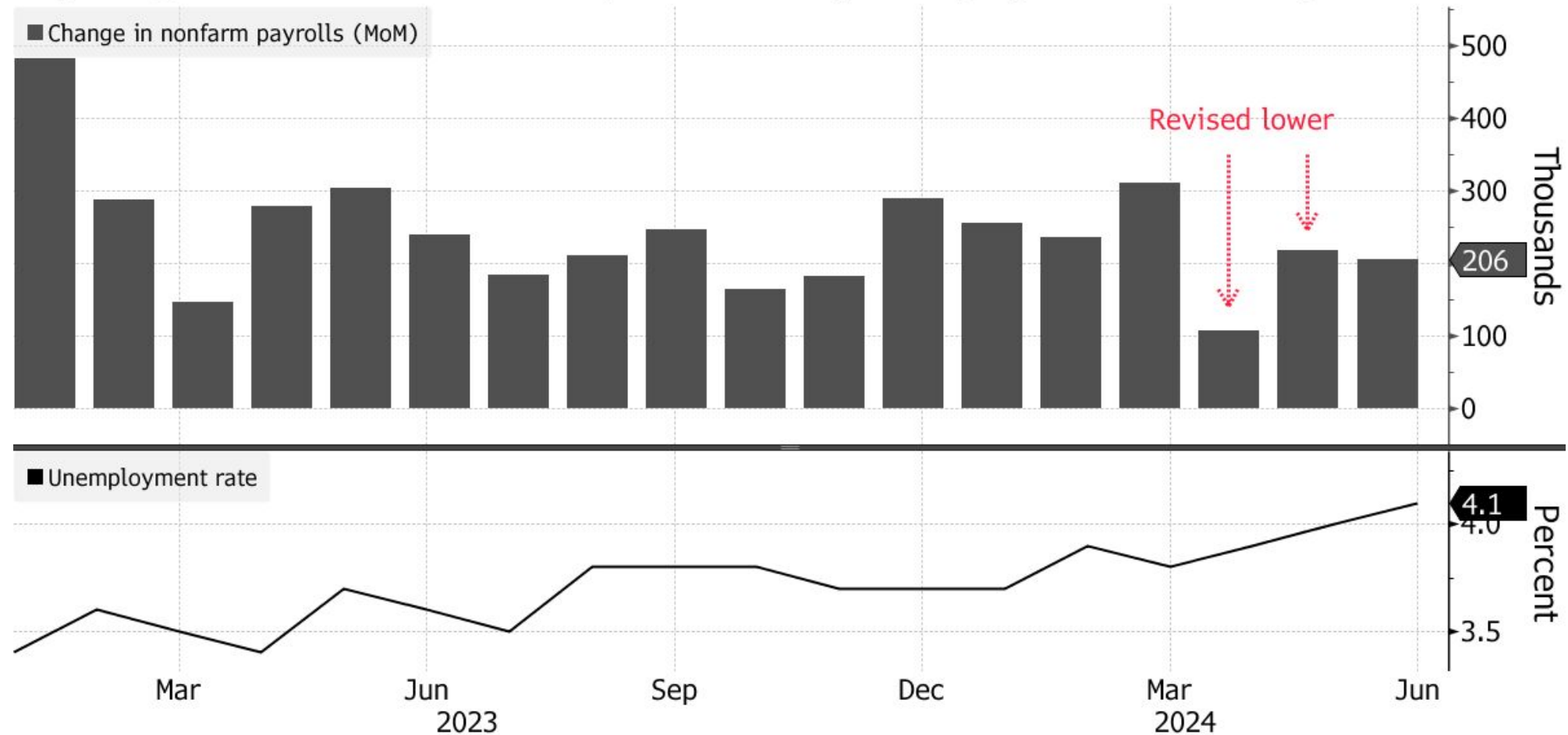
／ US consumer price index (12-month change) / Excluding food and energy



Source: US Bureau of Labor Statistics

Job Market Cools in Second Quarter

Payroll growth revised lower in prior months, unemployment climbs higher



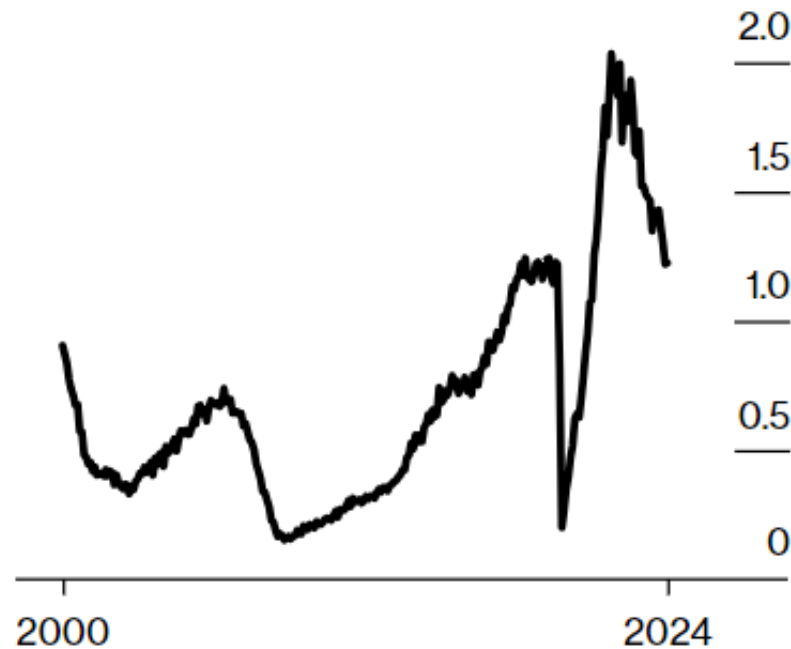
Source: Bureau of Labor Statistics

Bloomberg 

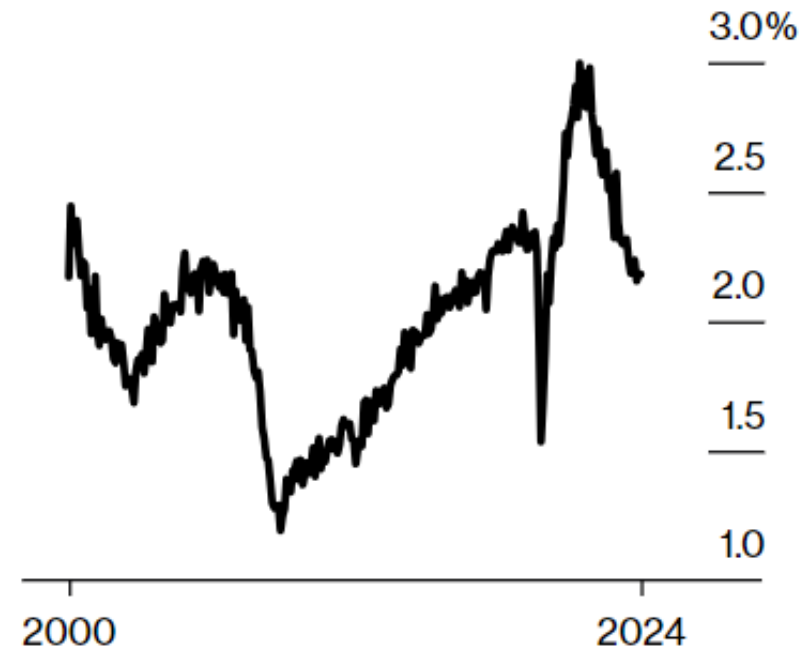
US Job Openings, Quits Data Point to Softening

Economists see labor market as approaching an 'inflection point'

Openings per unemployed person



Quits rate



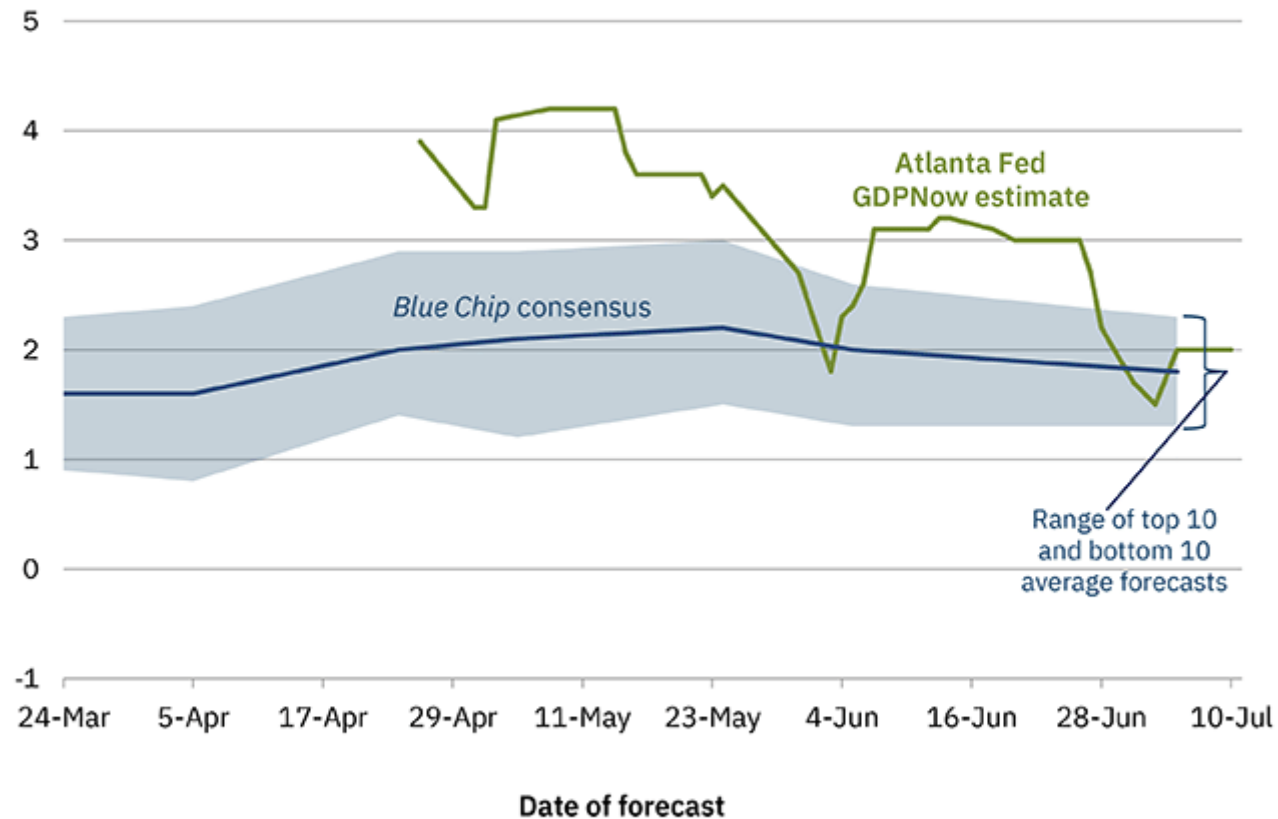
Source: US Bureau of Labor Statistics, Bloomberg

Market Pricing In Two Cuts



Q2 GDP Growth Estimate at 2%

Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q2
Quarterly percent change (SAAR)

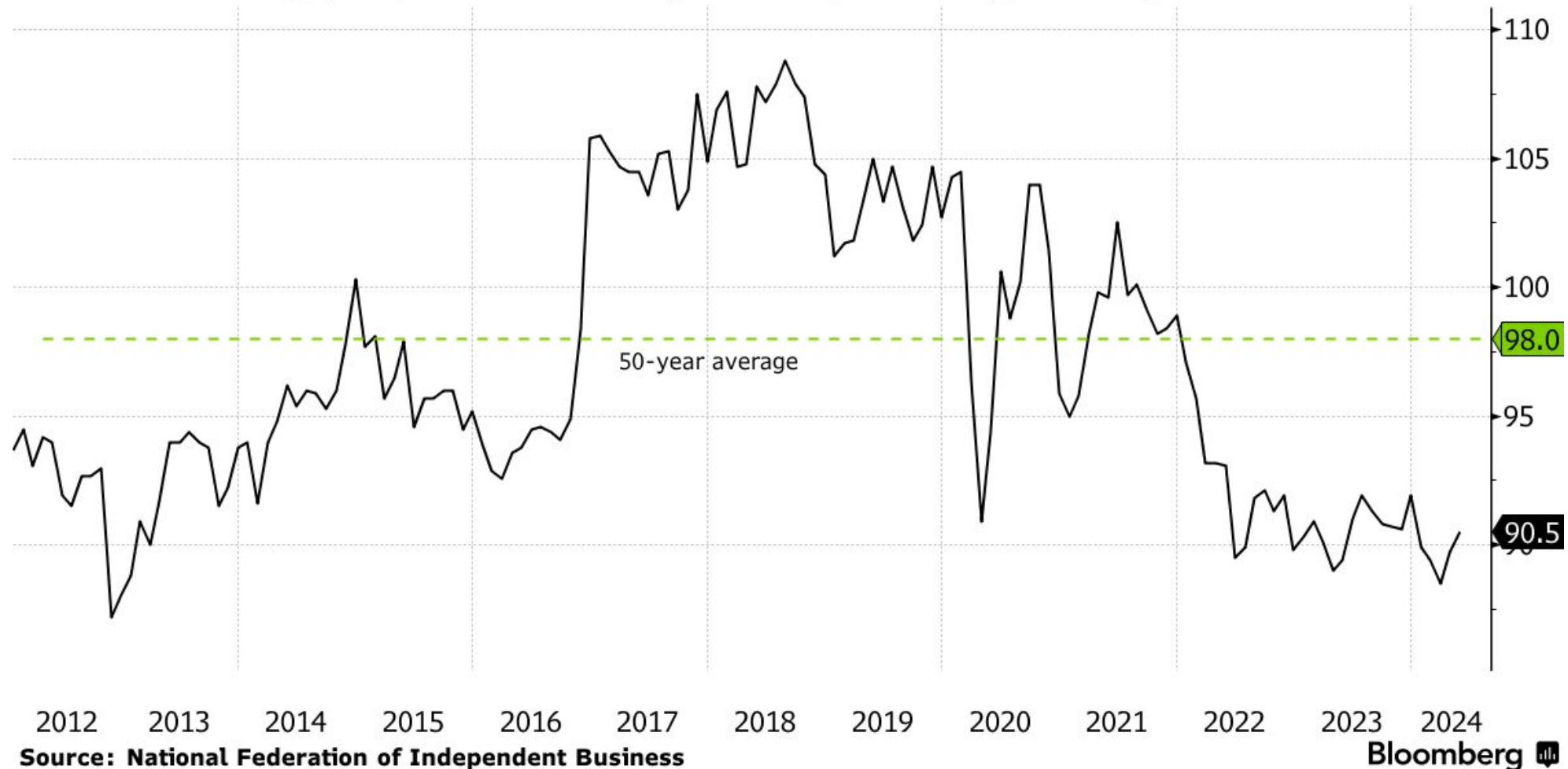


Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Small-Business Optimism Remains Below 50-Year Average

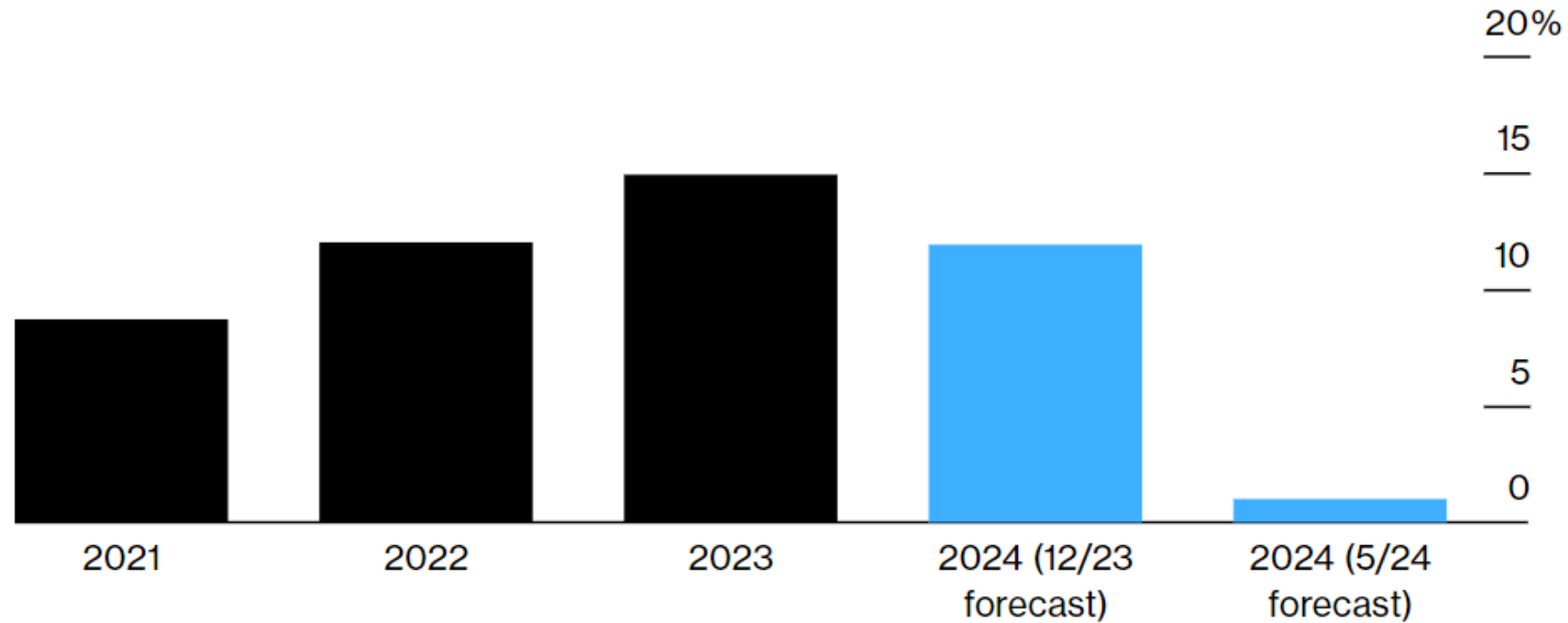
Firms increasingly reported financing as a top challenge in May



Capital Expenditures For US Manufacturers Fall

Reported annual increases and 2024 forecasts

■ Reported Spending ■ 2024 Forecast



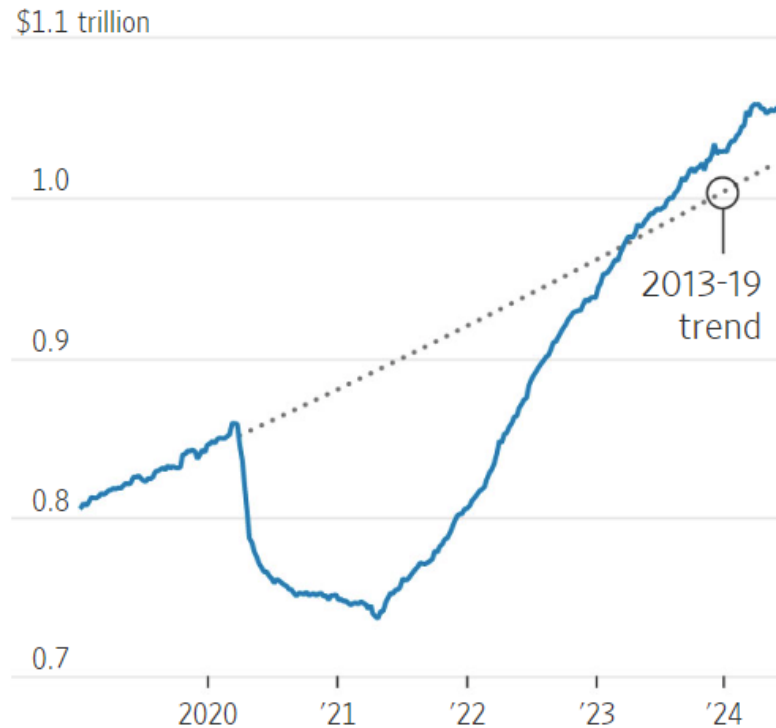
Source: Institute for Supply Management

Note: Data for 2021, 2022 and 2023 is the reported net average increase in capital expenditures. The first 2024 forecast was done in December, the second in May,

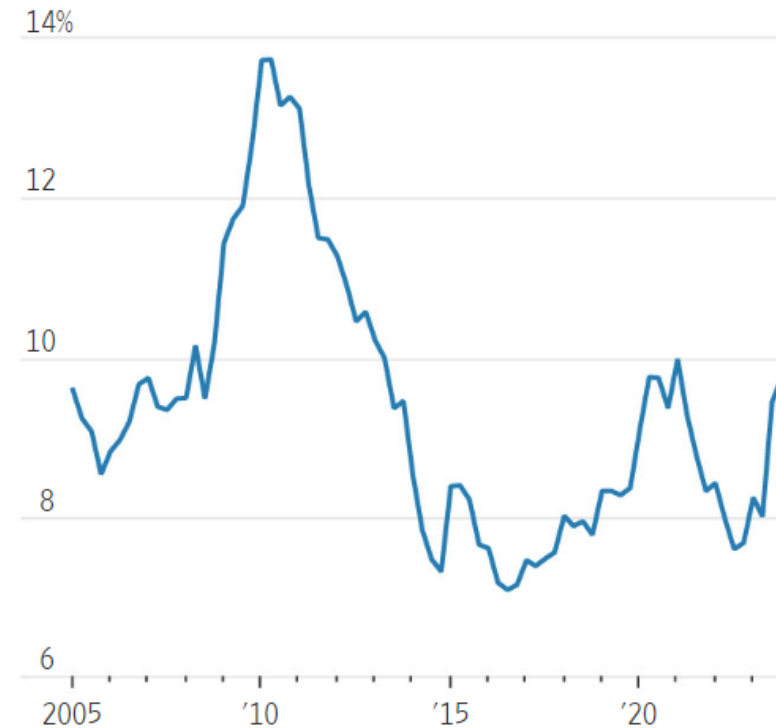
There may be limits to this resilience

Credit-card debt has grown recently and delinquencies are rising.

Credit-card debt outstanding



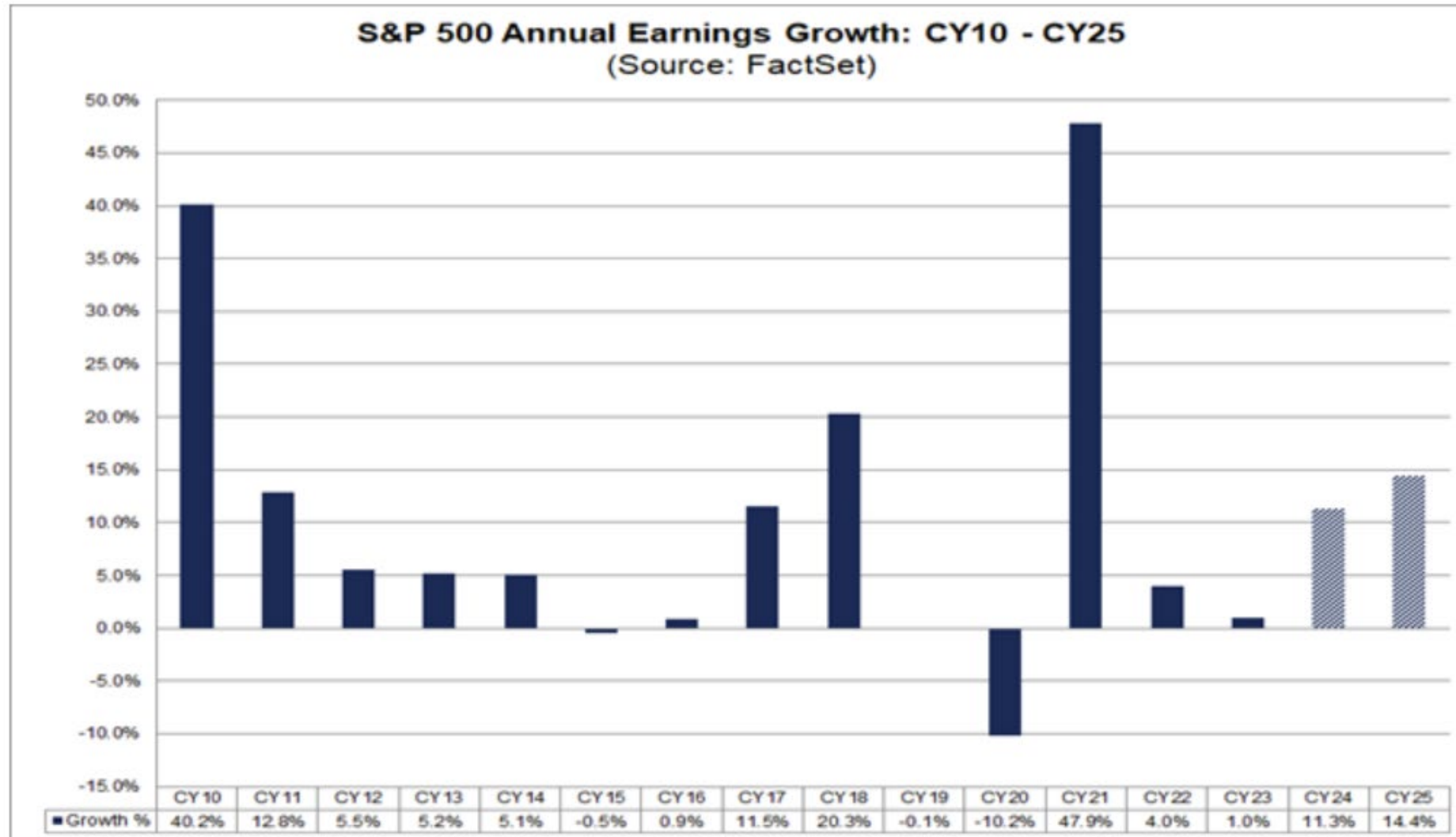
Share of credit-card debt past due



Note: Past due debt is 90 days or longer overdue

Sources: Federal Reserve (outstanding); New York Fed Consumer Credit Panel/Equifax (past due)

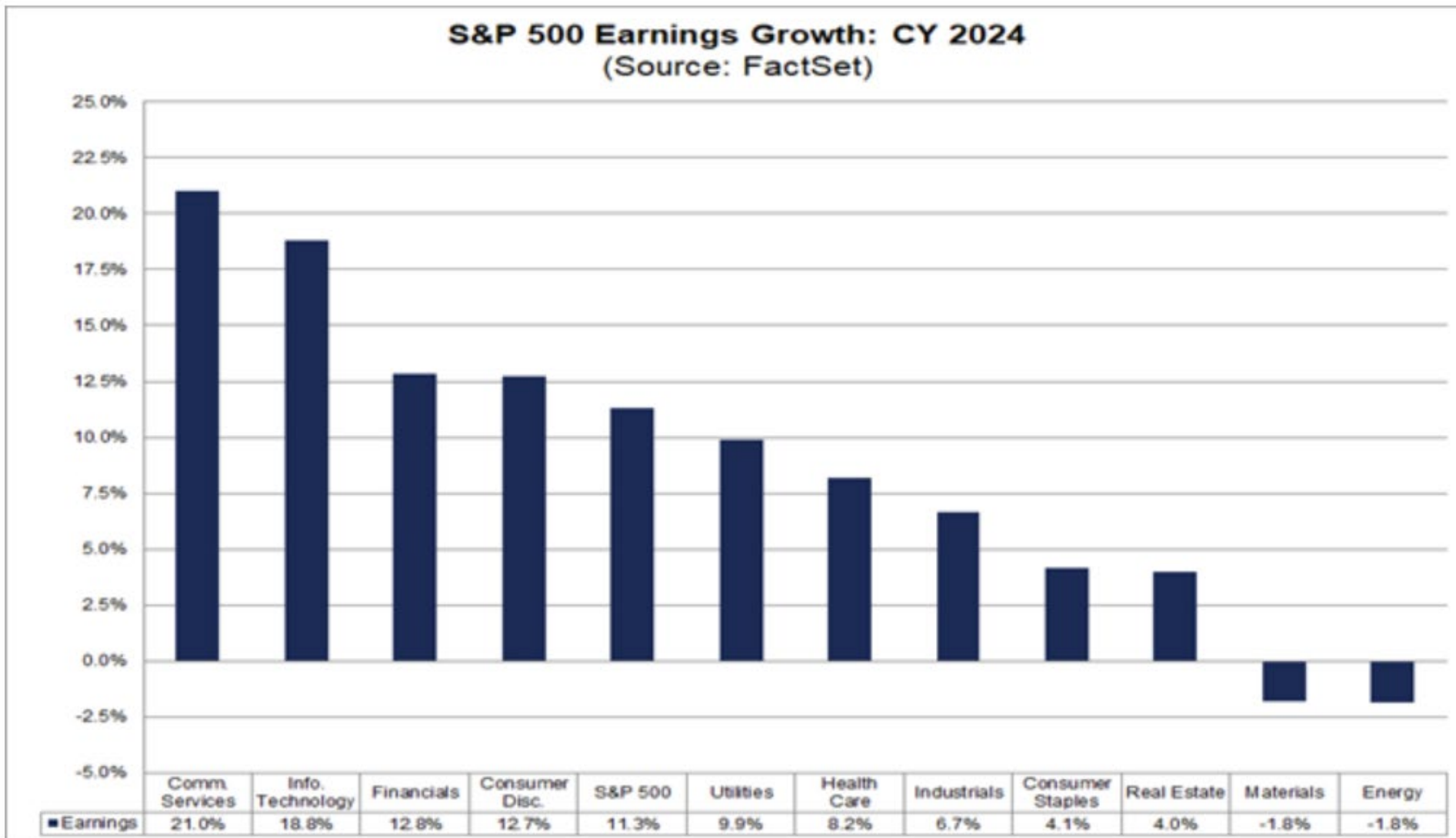
S&P 500 Earnings Forecasted to Grow



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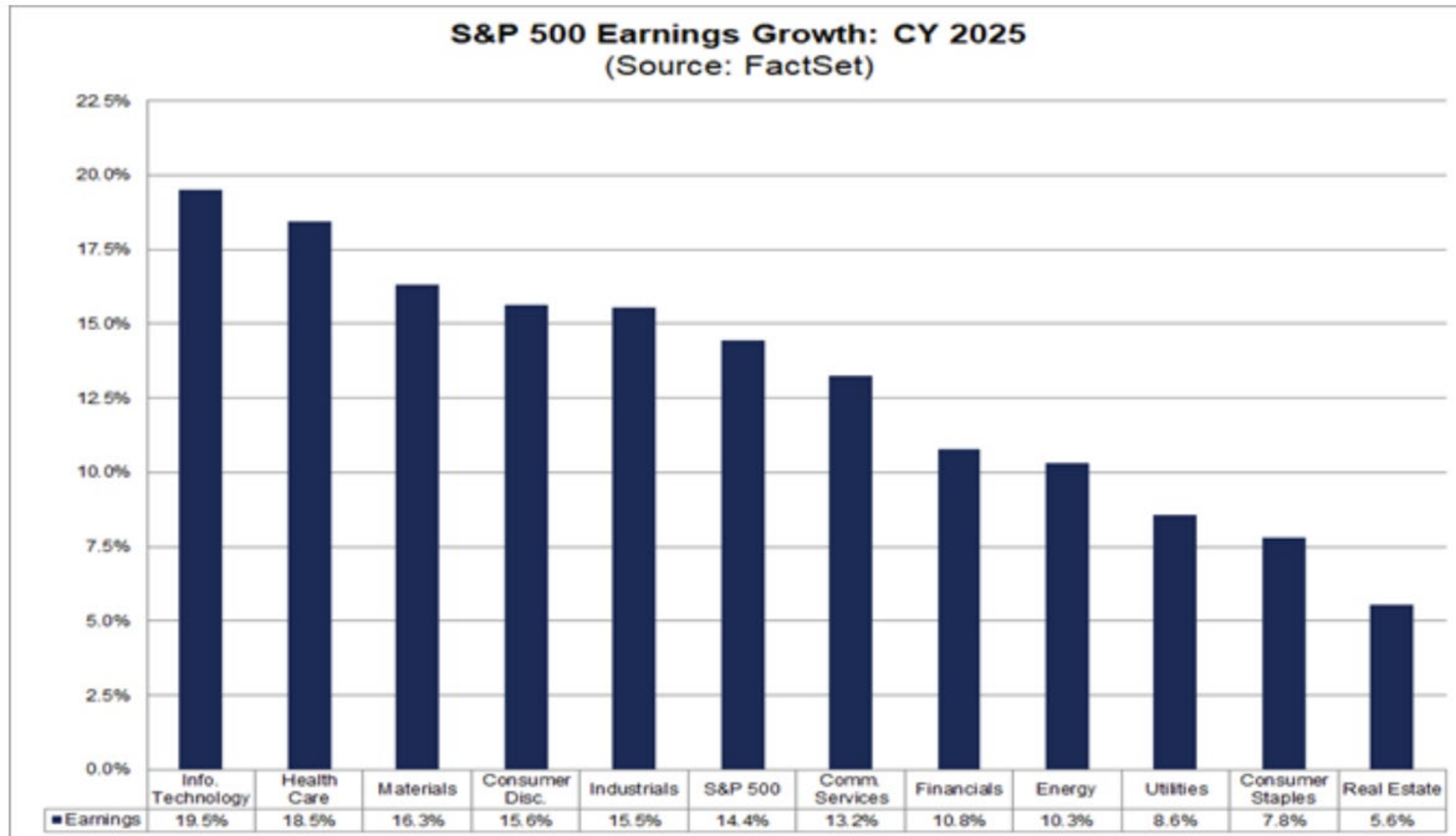
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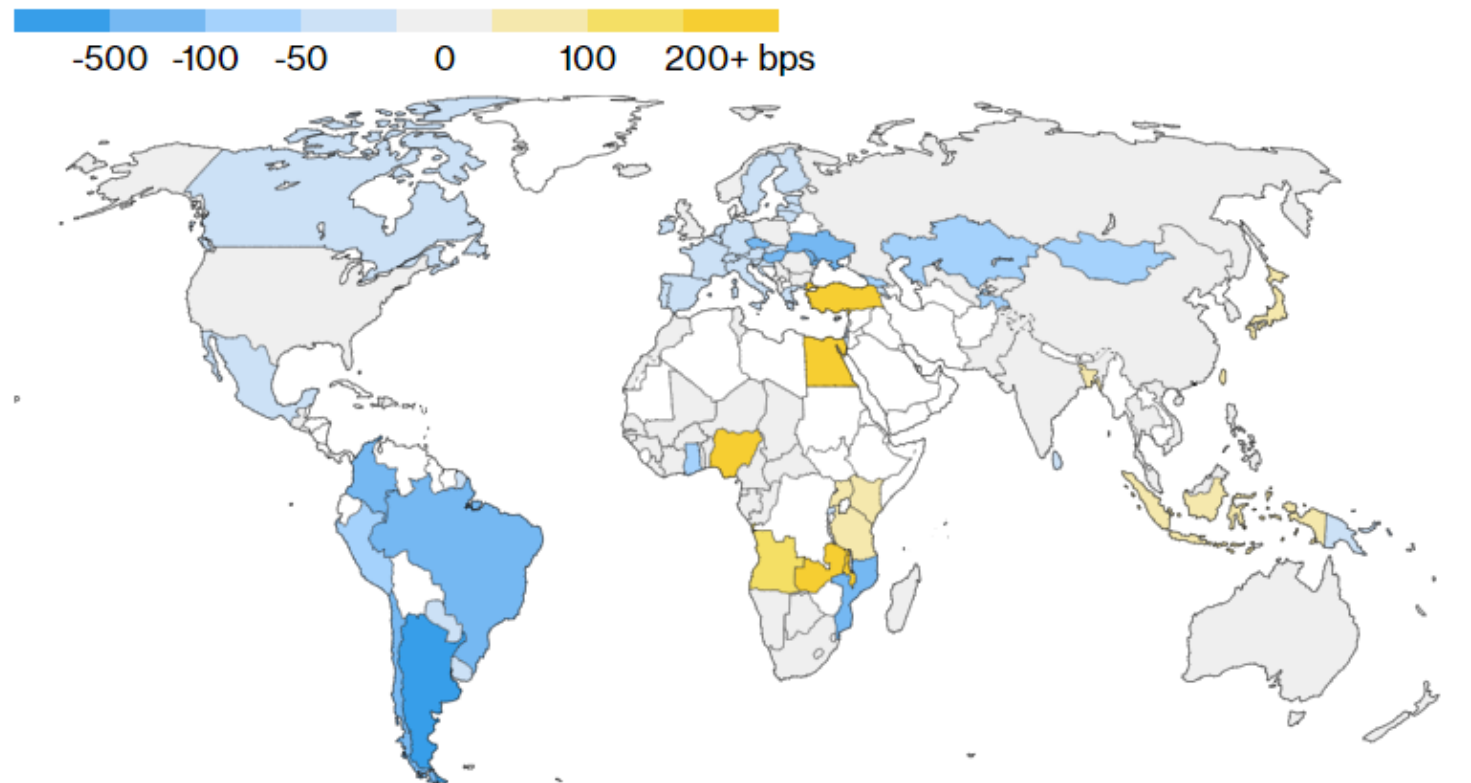
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S&P 500 Earnings Forecasted to Grow



ECB Joins Rate-Cut Club

Central bank moves on borrowing costs this year

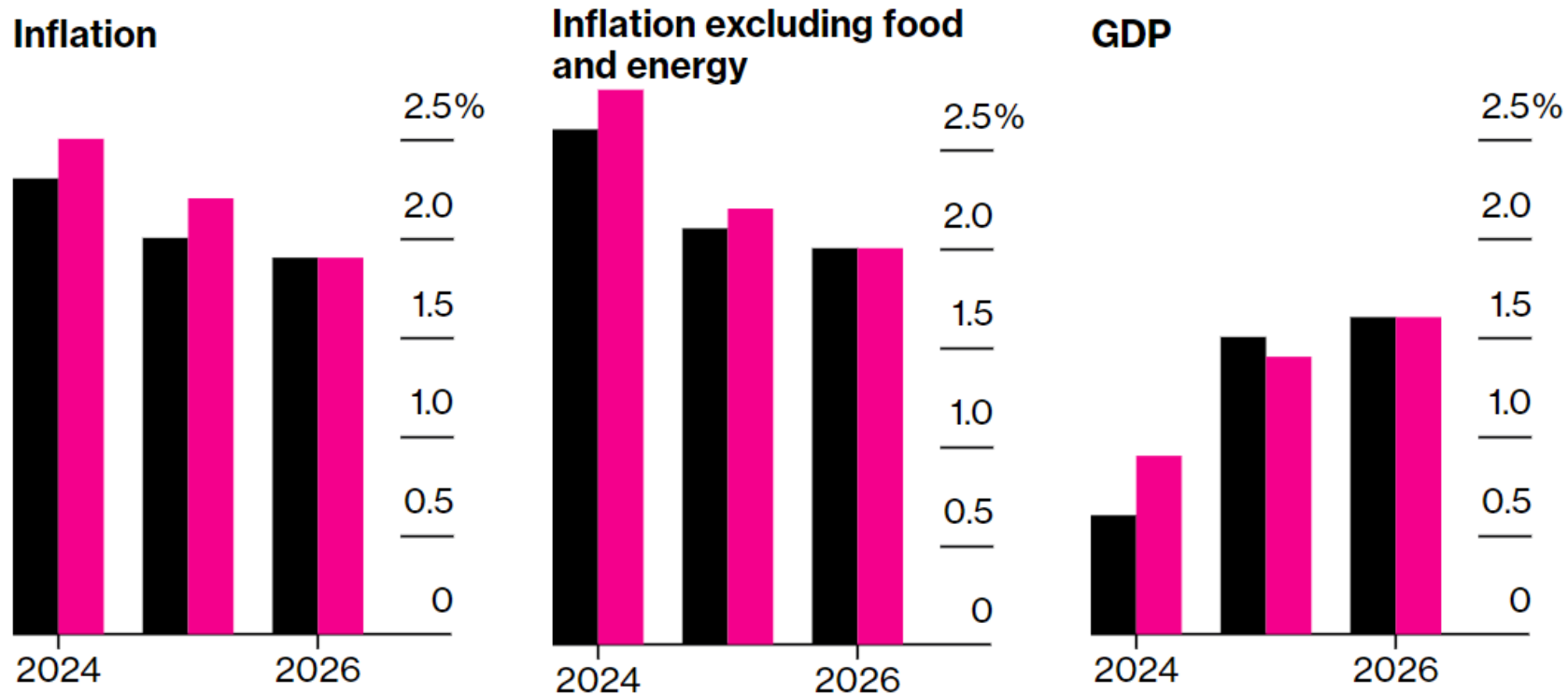


Source: Bloomberg

Note: Mapped data show change in interest rates for distinct central banks since the start of 2024.

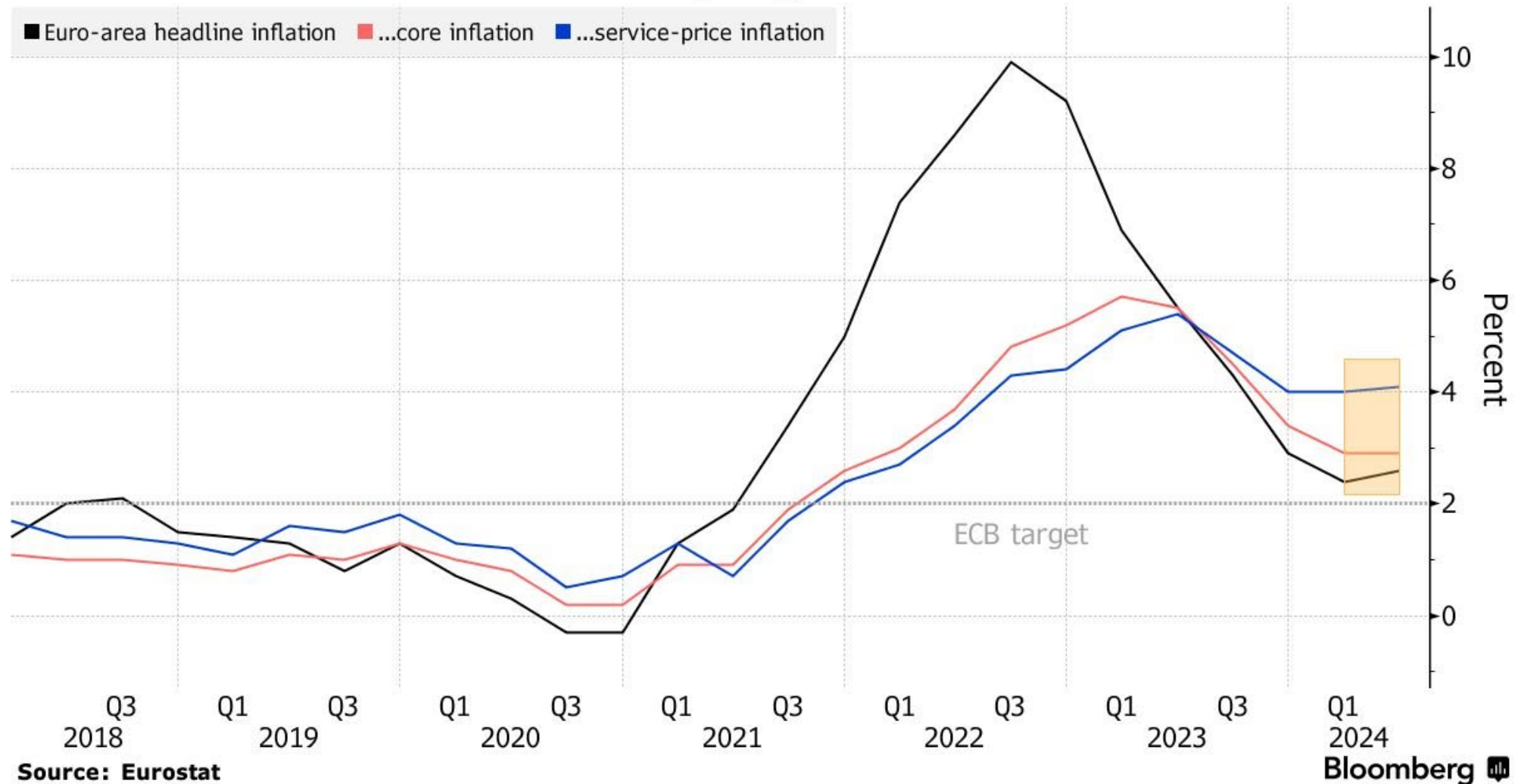
ECB Raises Inflation Projections for 2024 and 2025

■ March forecast ■ June forecast



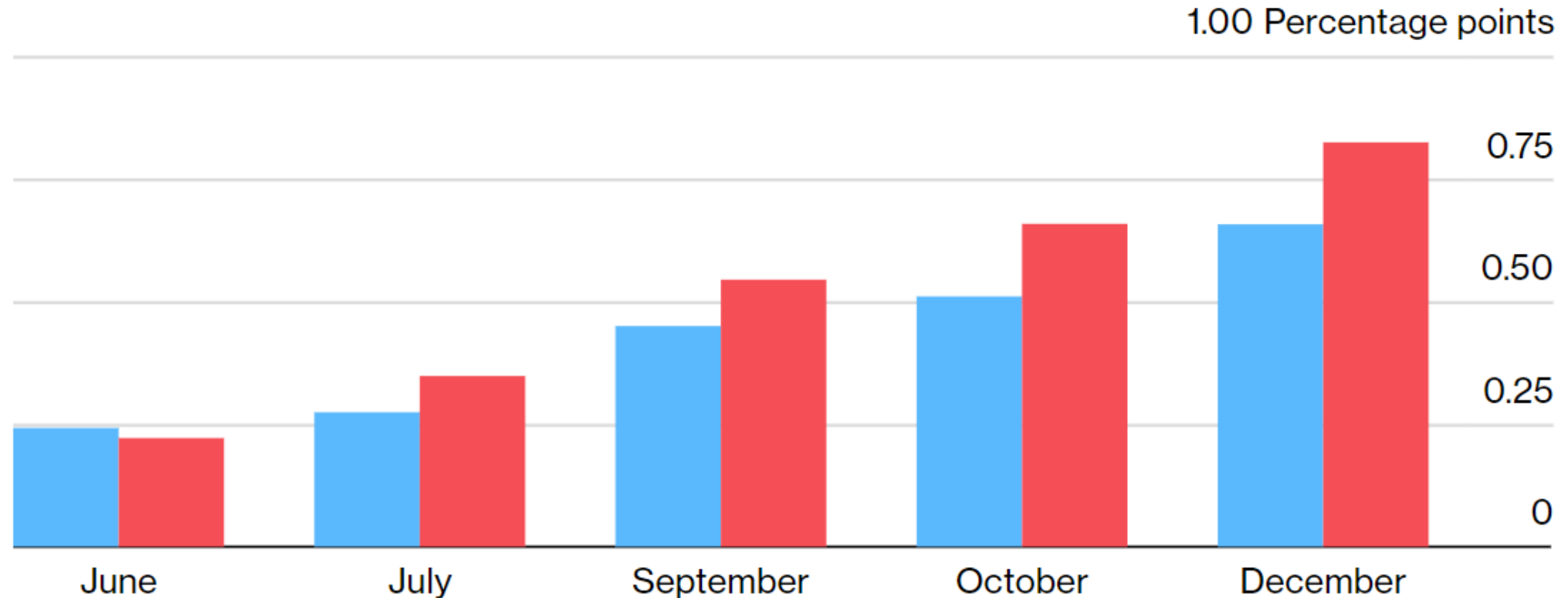
Source: ECB

Euro-Area Inflation Ticked Up Again Last Month



Investors Have Pared Wagers on ECB Easing

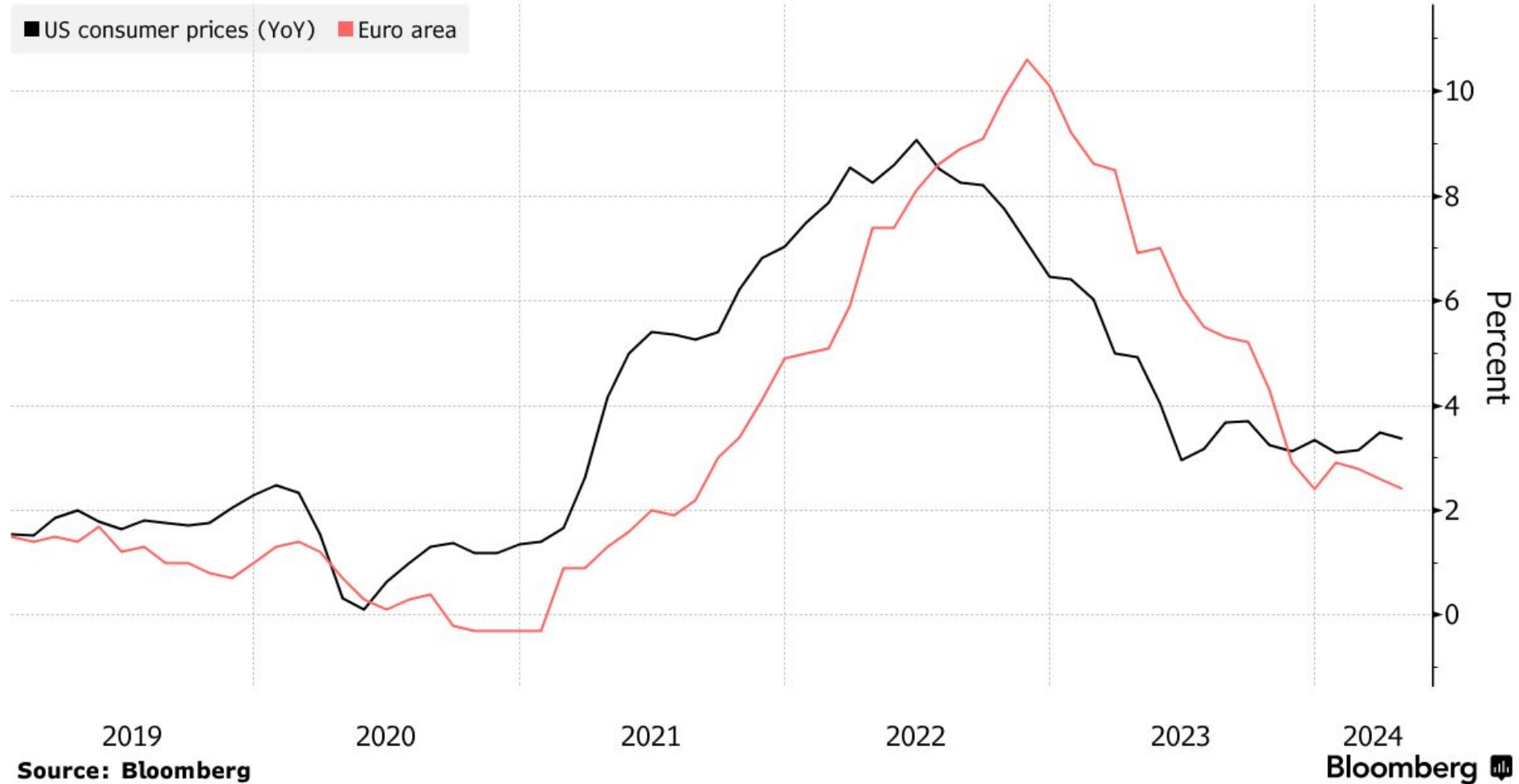
■ Current rate cut bets ■ Rate cut bets as of April 15



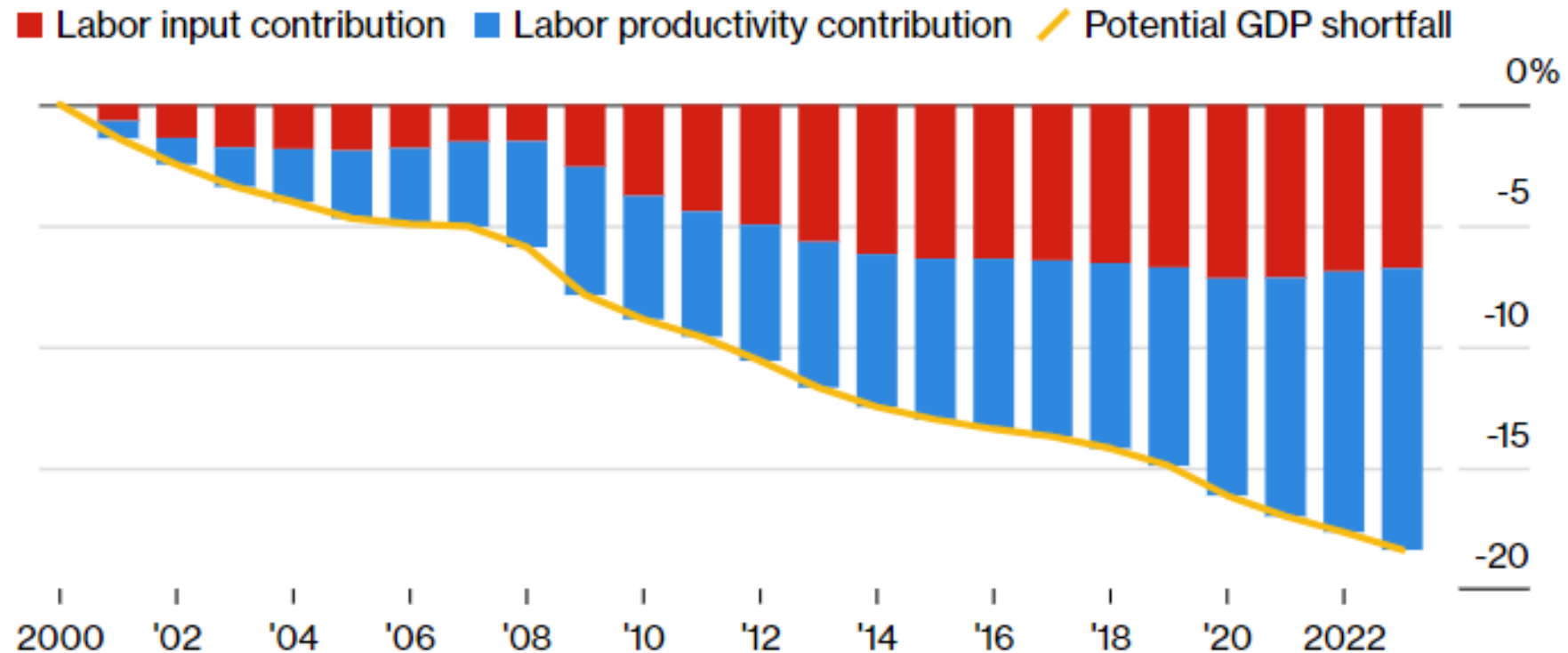
Source: Bloomberg

Note: Pricing derived from swaps linked to meeting dates

US Inflation Appears to Be Four Months Ahead of Europe



Euro Area's 18% Potential GDP Gap With US Led by Productivity Shortfall



Source: Bloomberg Economics

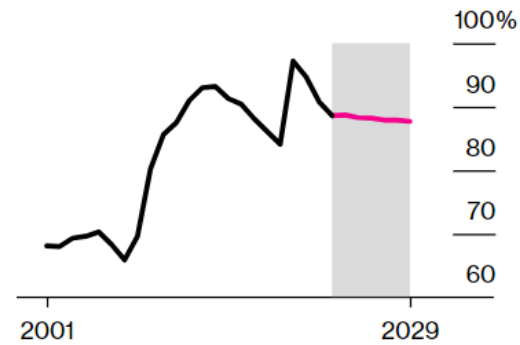
EU Debt Loads Remain Problematic

Euro Area's Debt Load Is Staying Elevated

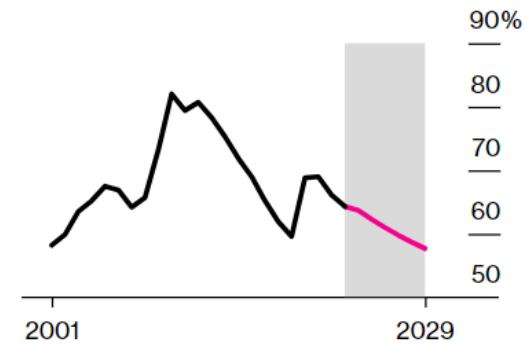
France and Italy both are seeing upticks

↙ General government gross debt as proportion of GDP ↗ Forecast

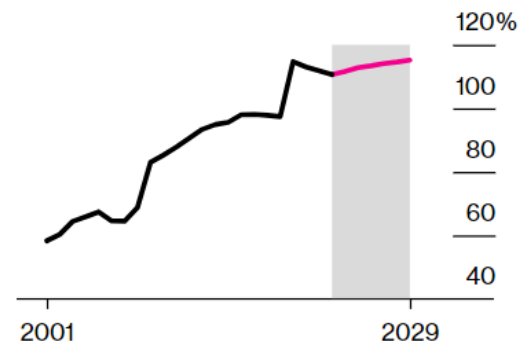
Euro area



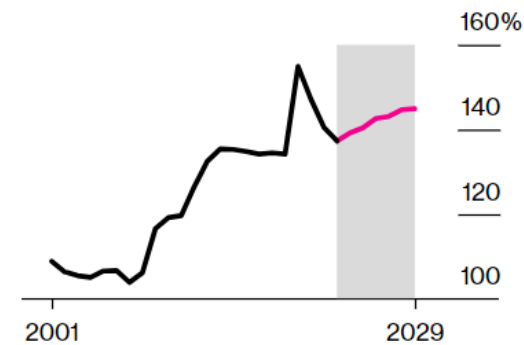
Germany



France



Italy



Source: IMF Fiscal Monitor, April 2024

French Market Recovers Following Election Impasse

CAC 40 stock-market index

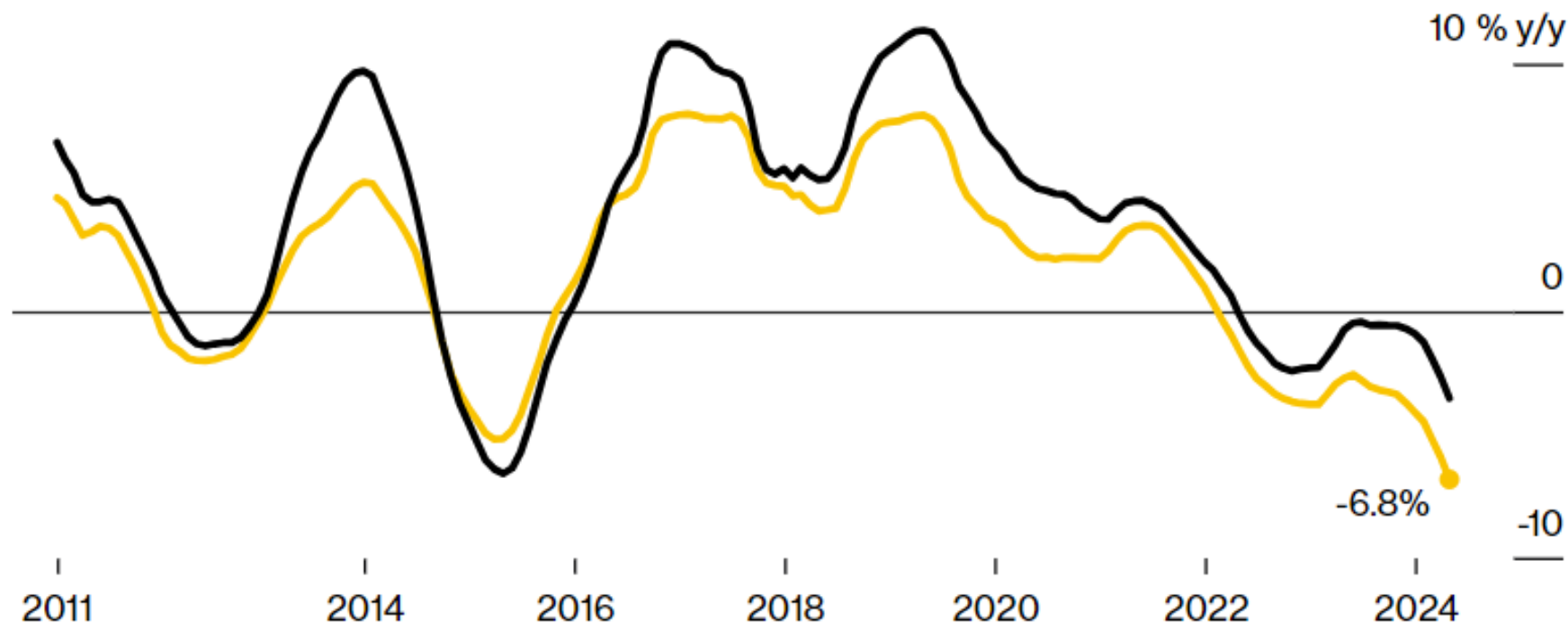


Source: FactSet

House Prices Falls Deepen in China

Prices of 2nd hand homes fell by the most on record on April, and dropped in all 70 surveyed cities

／ Average prices of newly-built housing ／ 2nd-hand housing

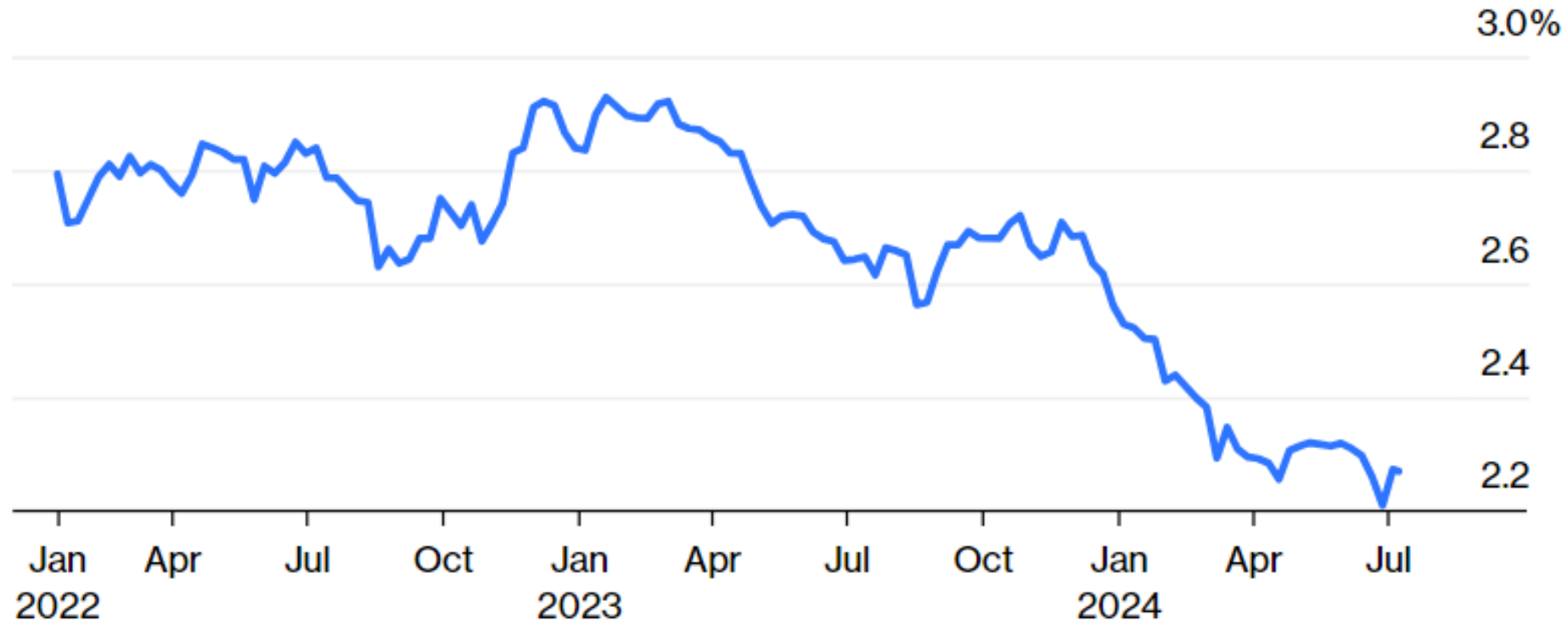


Source: National Bureau of Statistics

Chinese Government Bond Yields Near Record Lows

Yields stage a notable retreat as Chinese economy disappoints

Rate on generic 10-year government bond



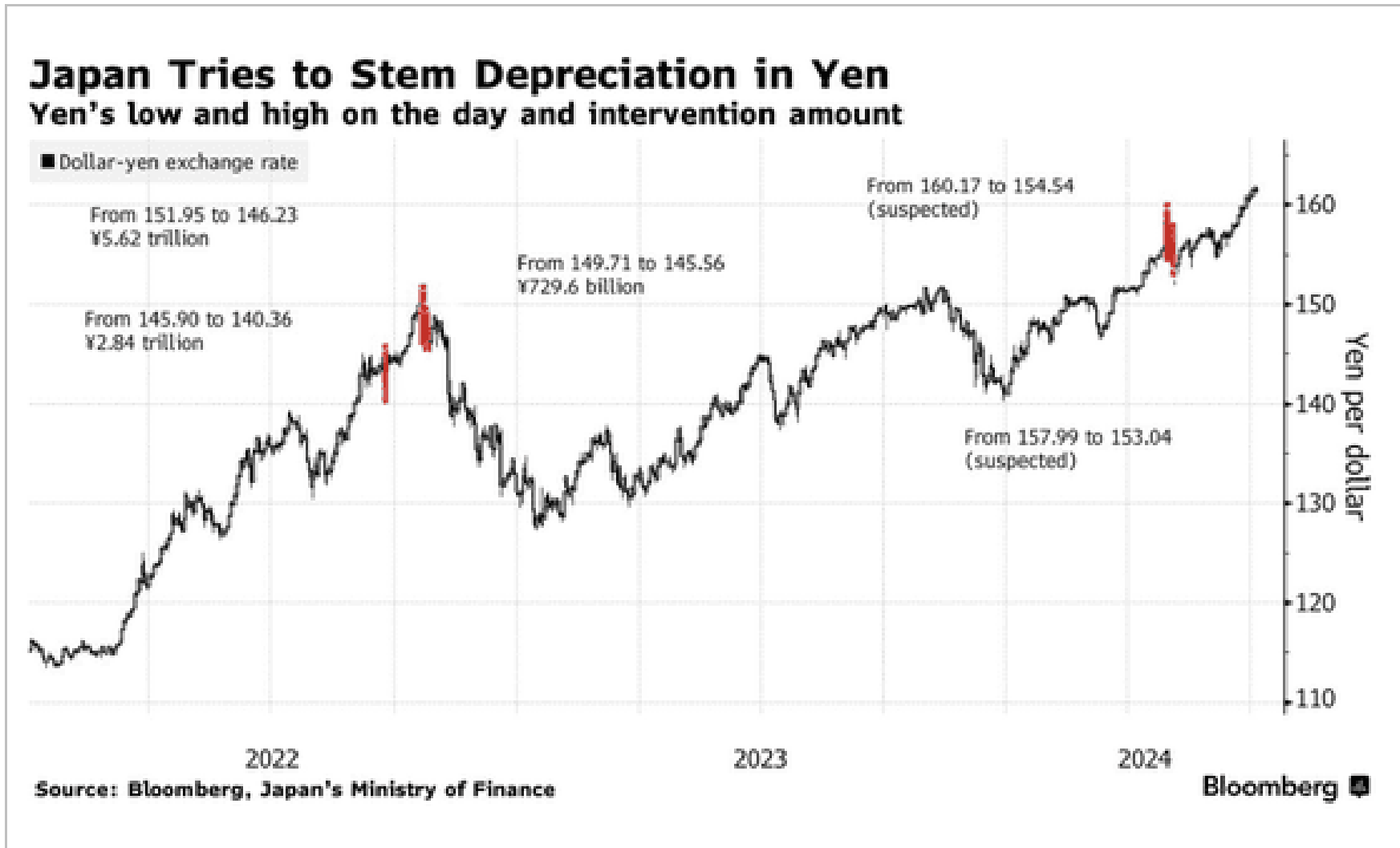
Source: Bloomberg

HSCEI Extends Decline From Its High in May



Source: Bloomberg

Bloomberg 



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